



Climate Leaders Fact Sheet

Overview of Using External GHG Emission Reductions to Help Climate Leaders Achieve their Reduction Goals

Climate Leaders is an EPA industry-government partnership that works with companies to develop comprehensive climate change strategies. Partner companies commit to reducing their impact on the global environment by setting aggressive greenhouse gas reduction goals and annually reporting their progress to EPA.

An important part of the Climate Leaders program is to focus corporate attention on cost-effective greenhouse gas (GHG) reduction and energy efficiency projects within the boundary of the organization (i.e., internal projects and reductions). Partners may also use reductions and/or removals which occur outside the organizational boundary (i.e., external GHG emission reductions) to help them achieve their goals. To ensure that the GHG emission reductions from external projects are credible, these reductions must meet four key criteria, as follow:

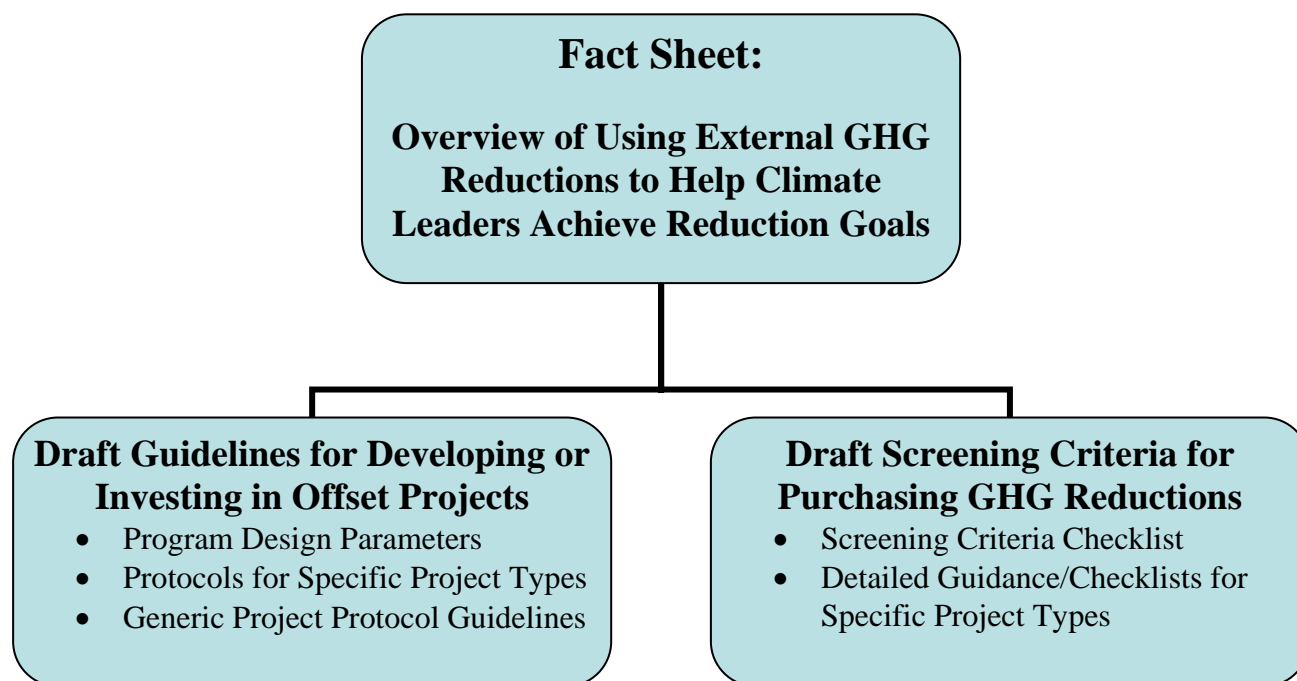
- **Real:** The quantified GHG reductions must represent actual emission reductions that have already occurred.
- **Additional:** The project-based GHG reductions must be beyond what would have happened anyway or in a business-as-usual scenario.
- **Permanent:** The GHG reductions must be permanent and can be backed by guarantees if they are reversed (e.g. re-emitted into the atmosphere).
- **Verifiable:** The GHG reductions must result from projects whose performance can be readily and accurately quantified, monitored and verified.

EPA provides Climate Leader Partners with guidance on two options for investing in GHG reductions from external projects:

1. Partners may choose to develop, or invest in, their own GHG mitigation “offset projects” which they own in-whole or in-part; or
2. Partners may choose to procure “purchased GHG reductions” from GHG mitigation projects certified through existing regulatory or voluntary markets.

This fact sheet provides an overview of the guidance for these two options. Partners should follow the guidance that is most applicable to the type of external GHG reductions in which they choose to invest so that the above criteria are met.

Title: Guidance on Use of External GHG Emission Reductions to Help Climate Leaders Achieve Reduction Goals



Developing or Investing in Offset Projects

EPA has developed **draft** Guidelines for Developing or Investing in Offset Projects (“Offset Guidelines”). These draft guidelines are consistent with the *Greenhouse Gas Protocol: The GHG Protocol for Project Accounting*.¹

The Offset Guidelines use a “performance standard” methodology to address the additionality criteria. Offset projects are required to achieve a level of performance with respect to emission reductions and/or removals that is significantly better than business-as usual. Business as usual is determined from similar, recently undertaken or planned practices, activities or facilities in a similar geographic region. This level of “performance” may be defined as an emission rate, a technology standard or a practice standard.

The Offset Guidelines include a discussion of the performance standard methodology, program design parameters and draft offset protocols for specific project types, which currently include: landfill methane collection and combustion, manure management, transit bus systems, industrial and commercial boilers, and afforestation/reforestation projects. Additional draft offset protocols are being prepared for coal mine methane, forest management, and end-use activities (combustion and beneficial use of methane from landfills and manure management systems).

¹ World Resources Institute and World Business Council for Sustainable Development, *The Greenhouse Gas Protocol: The GHG Protocol for Projects Accounting* (November 2005), available at: <http://www.ghgprotocol.org>.

The Offset Guidelines also include guidance on developing new protocols for use when developing or investing in project types for which EPA has not yet developed an offset protocol. In such cases, Climate Leaders Partners may develop their own offset protocols based on the “performance standard” methodology presented in the draft guidance and the existing Climate Leaders offset protocols for specific project types. Partners must provide the methodology and data set to EPA for review prior to a decision being made on the eligibility of GHG reductions associated with those project types used in meeting their Climate Leaders reduction goal. Partners should be aware that the review and approval process for a new protocol is likely to be more time and data intensive for Partners than the use of an existing Climate Leaders offset protocol.

Purchasing GHG Reductions

EPA has developed **draft** Screening Criteria for Purchasing GHG Reductions (“Screening Criteria”). The Screening Criteria will be used by EPA to assess the eligibility of purchased GHG reductions that have been certified either through existing regulatory or voluntary markets used in meeting a Partner’s reduction goal. These criteria may also be used by Partners to screen offerings from GHG offset programs when deciding whether to invest in purchased GHG reductions from a specific program or project.

The Screening Criteria includes provisions which aim to ensure that the four key criteria are met. This requires that purchased GHG reductions are traceable to a specific project. In addition, the GHG reduction must be quantified using approved methods. This means that if there is a Climate Leaders offset protocol or accounting guidance available at the time of purchase, that protocol should be used to calculate the overall GHG reductions eligible from a specific reduction project. However, if EPA has not yet developed an offset protocol for a specific project type, Partners can (and must) provide EPA with the “performance standard” methodology and data used to calculate the purchased GHG reductions for review prior to a decision being made on the eligibility of the purchased GHG reductions for helping to achieve their GHG reduction goal. Partners should be aware that the review and approval process for purchased GHG reductions calculated using a new protocol is likely to be more time and data intensive for Partners than the use of an existing Climate Leaders offset protocol.

The Screening Criteria also includes guidance on accounting for the use of purchases of Green Power and Renewable Energy Certificates. In addition, Climate Leaders may develop detailed checklists and guidance for purchased GHG reductions from additional project types for which Climate Leaders offset protocols are not yet available.

Reporting of External Reductions

For the purpose of tracking progress towards a Partner’s GHG reduction goal, external GHG emission reductions are accounted for on a Partner’s Annual GHG Inventory Summary and Goal Tracking Form as an adjustment to GHG inventory emissions. Partners should transparently and publicly report on their use of external GHG reductions when announcing the achievement of their reduction goal and should retire the reductions permanently on an appropriate registry.

Review and Approval

EPA will review proposed external GHG emission reductions from offset projects and purchased GHG reductions for eligibility prior to allowing them to be used toward the achievement of a Climate Leaders reduction goal. This review will be based on information for individual projects provided by the Partner, including a narrative summary of the project that includes the following information:

- project description;
- location;
- participants (including information on ownership);
- data used to determine project is additional;
- estimates of project performance (emissions and reductions);
- baseline and monitoring results (actual emissions and reductions);
- registration of overall project reductions and transfers; and
- distribution of other reductions from the project.

Partners should provide this information to EPA at least two months prior to the date they plan on announcing the achievement of their goal. If a Partner plans to develop a new protocol or calculate purchased GHG reductions from a project type for which EPA has not yet developed or approved an offset protocol, they should contact EPA to discuss what additional time will be necessary to review the methodology and data set.